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**CITY OF POPLARVILLE, MISSISSIPPI**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2003**

**CITY OF POPLARVILLE, MISSISSIPPI  
FINANCIAL STATEMENTS  
SEPTEMBER 30, 2003**

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**CITY OF POPLARVILLE, MISSISSIPPI  
FINANCIAL STATEMENTS  
SEPTEMBER 30, 2003**

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## **INTRODUCTORY SECTION**

**CITY OF POPLARVILLE, MISSISSIPPI**

**LIST OF PRINCIPAL OFFICIALS**

	<u>Term Expiration</u>
<b>Mayor</b>	
Billy W. Spiers	6/30/05
<b>Alderspersons At - Large</b>	
Ronald Dunston	6/30/05
John A. Grant, Jr.	6/30/05
M.L. Knight	6/30/05
Anne Smith	6/30/05
Byron Wells	6/30/05
<b>City Clerk and Tax Collector</b>	
Jody Stuart	None Stated

## **FINANCIAL SECTION**





### Independent Auditors' Report

December 16, 2003

Mayor and Board of Alderpersons  
City of Poplarville, Mississippi

We have audited the accompanying general purpose financial statements of the City of Poplarville, Mississippi, as of and for the year ended September 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Poplarville, Mississippi's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Poplarville, Mississippi, as of September 30, 2003, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2003, on our consideration of the City of Poplarville, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as supplemental information in the table of contents, is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the City of Poplarville, Mississippi. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

ALEXANDER, VAN LOON, SLOAN, LEVENS & FAVRE, PLLC

Certified Public Accountants  
Gulfport, Mississippi

## **GENERAL PURPOSE FINANCIAL STATEMENTS**

**CITY OF POPLARVILLE, MISSISSIPPI**  
**COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS**  
**SEPTEMBER 30, 2003**  
(With Comparative Totals for September 30, 2002)

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Types</u>
		<u>Debt</u>	
	<u>General</u>	<u>Service</u>	<u>Enterprise</u>
<b>ASSETS</b>			
Pooled cash and cash equivalents	\$ 449,659	\$ 6,868	\$ 116,404
Non-pooled cash and cash equivalents	36,164	-	-
Investments	400,000	-	-
Receivables, net of allowance for uncollectibles			
Taxes	1,684	-	-
Accounts	2,621	-	83,358
Franchise fees	26,514	-	-
Interest	2,149	-	-
Due from other governments	53,348	-	-
Prepaid expenses	11,028	-	2,029
Restricted assets			
Pooled cash and cash equivalents	17,974	-	96,045
Advances to other funds	171,704	-	-
Property, plant and equipment, net of accumulated depreciation	-	-	5,999,695
Other assets, net of accumulated amortization	-	-	5,580
Amount to be provided for retirement of general long-term debt obligations	-	-	-
<b>TOTAL ASSETS</b>	<u><u>\$ 1,172,845</u></u>	<u><u>\$ 6,868</u></u>	<u><u>\$ 6,303,111</u></u>

Fiduciary Fund Types Trust and Agency	Account Groups		Totals (Memorandum Only)	
	General Fixed Assets	General Long-Term Debt	2003	2002
\$ -	\$ -	\$ -	\$ 572,931	\$ 507,326
-	-	-	36,164	35,994
-	-	-	400,000	400,000
-	-	-	1,684	6,819
-	-	-	85,979	102,654
-	-	-	26,514	25,223
-	-	-	2,149	-
-	-	-	53,348	52,163
-	-	-	13,057	9,897
5,388	-	-	119,407	144,507
-	-	-	171,704	190,954
-	1,739,182	-	7,738,877	7,572,037
-	-	-	5,580	5,962
-	-	197,866	197,866	255,642
<u>\$ 5,388</u>	<u>\$ 1,739,182</u>	<u>\$ 197,866</u>	<u>\$ 9,425,260</u>	<u>\$ 9,309,178</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF POPLARVILLE, MISSISSIPPI**  
**COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS**  
**SEPTEMBER 30, 2003**  
(With Comparative Totals for September 30, 2002)

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Types</u>
	<u>General</u>	<u>Debt Service</u>	<u>Enterprise</u>
<b>LIABILITIES AND FUND EQUITY</b>			
Liabilities			
Accounts payable	\$ 30,764	\$ -	\$ 11,010
Accrued liabilities	8,917	-	7,793
Current maturities of notes payable	-	-	184,899
Current maturities of capital leases payable	-	-	-
Payable from restricted assets			
Customer deposits	-	-	41,045
Current maturities of revenue bonds payable	-	-	30,857
Advances from other funds	-	-	171,704
Notes payable, net of current maturities	-	-	2,862,994
Capital leases payable, net of current maturities	-	-	-
Revenue bonds payable, net of current maturities	-	-	464,648
Compensated absences payable	-	-	4,268
	<u>39,681</u>	<u>-</u>	<u>3,779,218</u>
Total Liabilities			
Fund Equity			
Contributed capital	-	-	2,135,332
Retained earnings			
Reserved for bond indenture	-	-	48,843
Unreserved	-	-	339,718
Invested in general fixed assets	-	-	-
Fund balances			
Reserved for advances	171,704	-	-
Reserved for prepaid expenses	11,028	-	-
Reserved for debt retirement	-	6,868	-
Reserved for unemployment benefits	-	-	-
Unreserved - undesignated	950,432	-	-
	<u>1,133,164</u>	<u>6,868</u>	<u>2,523,893</u>
Total Fund Equity			
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u><u>\$ 1,172,845</u></u>	<u><u>\$ 6,868</u></u>	<u><u>\$ 6,303,111</u></u>

## EXHIBIT 1 (Continued)

Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
	General	General	2003	2002
	Fixed Assets	Long-Term Debt		
Trust and Agency				
\$ -	\$ -	\$ -	\$ 41,774	\$ 56,144
-	-	-	16,710	17,657
-	-	13,806	198,705	190,132
-	-	29,786	29,786	52,237
-	-	-	41,045	33,307
-	-	-	30,857	29,355
-	-	-	171,704	190,954
-	-	119,896	2,982,890	3,181,536
-	-	5,044	5,044	31,993
-	-	-	464,648	496,310
-	-	29,334	33,602	35,039
-	-	197,866	4,016,765	4,314,664
-	-	-	2,135,332	2,200,657
-	-	-	48,843	63,309
-	-	-	339,718	292,274
-	1,739,182	-	1,739,182	1,348,482
-	-	-	171,704	190,954
-	-	-	11,028	8,956
-	-	-	6,868	10,028
5,388	-	-	5,388	5,388
-	-	-	950,432	874,466
5,388	1,739,182	-	5,408,495	4,994,514
\$ 5,388	\$ 1,739,182	\$ 197,866	\$ 9,425,260	\$ 9,309,178

The accompanying notes are an integral part of these financial statements.

**CITY OF POPLARVILLE, MISSISSIPPI**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2003**

(With Comparative Totals for the Year Ended September 30, 2002)

	Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)	
	General	Debt Service	Expendable Trust	2003	2002
<b>REVENUES</b>					
Taxes, penalties and interest	\$ 506,026	\$ 15,746	\$ -	\$ 521,772	\$ 470,356
Licenses and permits	128,352	-	-	128,352	151,864
Intergovernmental	582,111	-	-	582,111	557,625
Charges for services	111,769	-	-	111,769	109,866
Fines and forfeitures	76,693	-	-	76,693	51,414
Interest income	14,896	-	-	14,896	24,727
Miscellaneous	19,105	-	-	19,105	15,969
Total revenues	1,438,952	15,746	-	1,454,698	1,381,821
<b>EXPENDITURES</b>					
General government	257,589	-	-	257,589	239,791
Court	50,831	-	-	50,831	45,025
Public safety	635,607	-	-	635,607	603,850
Highway and streets	218,326	-	-	218,326	209,542
Culture and recreation	414,451	-	-	414,451	22,191
Public works	98,801	-	-	98,801	95,499
Miscellaneous	21,038	-	-	21,038	25,884
Debt service	52,237	18,906	-	71,143	67,091
Total expenditures	1,748,880	18,906	-	1,767,786	1,308,873
Excess of revenues over (under) expenditures	(309,928)	(3,160)	-	(313,088)	72,948
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from capital leases	-	-	-	-	19,149
Capital contributions	368,716	-	-	368,716	-
Sale of general fixed assets	-	-	-	-	4,738
Total other financing sources (uses)	368,716	-	-	368,716	23,887
Excess of revenues and other financing sources (uses) over (under) expenditures	58,788	(3,160)	-	55,628	96,835
Fund balances - October 1	1,074,376	10,028	5,388	1,089,792	992,957
Fund balances - September 30	\$ 1,133,164	\$ 6,868	\$ 5,388	\$ 1,145,420	\$ 1,089,792

The accompanying notes are an integral part of these financial statements.

**CITY OF POPLARVILLE, MISSISSIPPI**  
**STATEMENT OF REVENUES AND EXPENDITURES - BUDGET (NON-GAAP BASIS) AND ACTUAL -**  
**GOVERNMENTAL FUND TYPES**  
**SEPTEMBER 30, 2003**

	General Fund			Debt Service Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>						
Ad valorem taxes	\$ 476,358	\$ 509,412	\$ 33,054	\$ 18,907	\$ 17,495	\$ (1,412)
Licenses and permits	129,500	127,061	(2,439)	-	-	-
Intergovernmental						
General sales tax	441,000	472,333	31,333	-	-	-
State fire rebate	11,200	11,756	556	-	-	-
State municipal aid	8,000	8,521	521	-	-	-
Homestead exemption	42,500	42,684	184	-	-	-
Grants	32,756	45,632	12,876	-	-	-
Charges for services	107,000	111,769	4,769	-	-	-
Fines and forfeitures	65,000	66,693	1,693	-	-	-
Interest income	20,000	12,747	(7,253)	-	-	-
Miscellaneous	18,725	27,249	8,524	-	-	-
Total revenues	<u>1,352,039</u>	<u>1,435,857</u>	<u>83,818</u>	<u>18,907</u>	<u>17,495</u>	<u>(1,412)</u>
<b>EXPENDITURES</b>						
General government						
Personnel services	170,769	160,243	10,526	-	-	-
Supplies	12,000	5,137	6,863	-	-	-
Other services and charges	76,622	91,008	(14,386)	-	-	-
Capital outlay	4,277	4,277	-	-	-	-
Total general government	<u>263,668</u>	<u>260,665</u>	<u>3,003</u>	<u>-</u>	<u>-</u>	<u>-</u>
Court						
Personnel services	42,628	42,622	6	-	-	-
Supplies	1,560	733	827	-	-	-
Other services and charges	5,250	4,976	274	-	-	-
Capital outlay	2,500	2,500	-	-	-	-
Total court	<u>51,938</u>	<u>50,831</u>	<u>1,107</u>	<u>-</u>	<u>-</u>	<u>-</u>
Public safety						
Police						
Personnel services	384,306	385,573	(1,267)	-	-	-
Supplies	28,600	26,678	1,922	-	-	-
Other services and charges	42,550	45,196	(2,646)	-	-	-
Capital outlay	8,188	10,689	(2,501)	-	-	-
Total police	<u>463,644</u>	<u>468,136</u>	<u>(4,492)</u>	<u>-</u>	<u>-</u>	<u>-</u>
D.A.R.E.						
Supplies	3,900	2,199	1,701	-	-	-
Other services and charges	500	320	180	-	-	-
Capital outlay	1,326	1,326	-	-	-	-
Total D.A.R.E.	<u>5,726</u>	<u>3,845</u>	<u>1,881</u>	<u>-</u>	<u>-</u>	<u>-</u>
Animal control						
Personnel services	3,607	3,617	(10)	-	-	-
Supplies	600	343	257	-	-	-
Other services and charges	1,000	899	101	-	-	-
Total animal control	<u>5,207</u>	<u>4,859</u>	<u>348</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fire						
Personnel services	120,460	111,135	9,325	-	-	-
Supplies	15,750	9,532	6,218	-	-	-
Other services and charges	28,890	22,764	6,126	-	-	-
Capital outlay	5,450	5,336	114	-	-	-
Total fire	<u>170,550</u>	<u>148,767</u>	<u>21,783</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total public safety	<u>645,127</u>	<u>625,607</u>	<u>19,520</u>	<u>-</u>	<u>-</u>	<u>-</u>



**CITY OF POPLARVILLE, MISSISSIPPI**  
**STATEMENT OF REVENUES AND EXPENDITURES - BUDGET (NON-GAAP BASIS) AND ACTUAL -**  
**GOVERNMENTAL FUND TYPES**  
**SEPTEMBER 30, 2003**

	General Fund			Debt Service Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Highways and streets						
Personnel services	\$ 134,934	\$ 132,443	\$ 2,491	\$ -	\$ -	\$ -
Supplies	28,825	27,190	1,635	-	-	-
Other services and charges	60,713	58,343	2,370	-	-	-
Capital outlay	348	350	(2)	-	-	-
Total highways and streets	<u>224,820</u>	<u>218,326</u>	<u>6,494</u>	<u>-</u>	<u>-</u>	<u>-</u>
Culture and recreation						
Other services and charges	27,400	23,120	4,280	-	-	-
Capital outlay	21,284	22,615	(1,331)	-	-	-
Total culture and recreation	<u>48,684</u>	<u>45,735</u>	<u>2,949</u>	<u>-</u>	<u>-</u>	<u>-</u>
Public works						
Other services and charges	98,801	98,801	-	-	-	-
Total public works	<u>98,801</u>	<u>98,801</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Miscellaneous						
Airport						
Other services and charges	5,200	4,461	739	-	-	-
Total airport	<u>5,200</u>	<u>4,461</u>	<u>739</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cemetery						
Other services and charges	18,000	16,577	1,423	-	-	-
Total cemetery	<u>18,000</u>	<u>16,577</u>	<u>1,423</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total miscellaneous	<u>23,200</u>	<u>21,038</u>	<u>2,162</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt service	52,240	52,237	3	18,907	18,906	(1)
Total expenditures	<u>1,408,478</u>	<u>1,373,240</u>	<u>35,238</u>	<u>18,907</u>	<u>18,906</u>	<u>(1)</u>
Excess of revenues over (under) expenditures	<u>\$ (56,439)</u>	62,617	<u>\$ 119,056</u>	<u>\$ -</u>	(1,411)	<u>\$ (1,411)</u>
Reconciliation to GAAP basis:						
Change in taxes receivable		(3,386)			(1,749)	
Change in accounts receivable		(8,144)			-	
Change in franchise fee receivable		1,291			-	
Change in interest receivable		2,149			-	
Change in intergovernmental receivable		1,185			-	
Change in prepaid expenses		2,072			-	
Change in accrued expenses		<u>1,004</u>			<u>-</u>	
Excess of revenues over (under) expenditures - GAAP basis		<u>\$ 58,788</u>			<u>\$ (3,160)</u>	

The accompanying notes are an integral part of these financial statements.

**CITY OF POPLARVILLE, MISSISSIPPI**  
**STATEMENT OF REVENUES AND EXPENSES -**  
**ENTERPRISE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2003**  
(With Comparative Totals for the Year Ended September 30, 2002)

	<u>2003</u>	<u>2002</u>
<b>OPERATING REVENUES</b>		
Charges for sales and services	\$ 664,839	\$ 662,537
Tap fees	7,245	6,225
Other revenues	<u>19,960</u>	<u>19,763</u>
Total operating revenues	<u>692,044</u>	<u>688,525</u>
<b>OPERATING EXPENSES</b>		
Personnel services		
Salaries	97,638	115,888
Employee benefits	30,821	30,998
Supplies		
Equipment supplies and maintenance	43,911	17,210
Other supplies	4,185	3,568
Materials	31,404	31,645
Utilities	55,179	53,054
Depreciation and amortization	232,189	232,852
Other operating expenses	<u>62,832</u>	<u>60,442</u>
Total operating expenses	<u>558,159</u>	<u>545,657</u>
Operating income	<u>133,885</u>	<u>142,868</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest revenue	583	1,278
Interest expense	<u>(166,815)</u>	<u>(179,898)</u>
Total nonoperating revenues (expenses)	<u>(166,232)</u>	<u>(178,620)</u>
<b>NET LOSS</b>	<u><u>\$ (32,347)</u></u>	<u><u>\$ (35,752)</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF POPLARVILLE, MISSISSIPPI**  
**STATEMENT OF CHANGES IN EQUITY -**  
**ENTERPRISE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2003**

	Contributed Capital - Federal Sources	Retained Earnings		
		Reserved for Bond Indenture	Unreserved	Total Equity
<b>EQUITY</b>				
Balance at September 30, 2002	\$ 2,200,657	\$ 63,309	\$ 292,274	\$ 2,556,240
Adjustment for depreciation on fixed assets acquired by donation from other entities that reduces contributed capital	(65,325)	-	65,325	-
Net decrease in reserve requirement	-	(14,466)	14,466	-
Net loss	-	-	(32,347)	(32,347)
Balance at September 30, 2003	<u>\$ 2,135,332</u>	<u>\$ 48,843</u>	<u>\$ 339,718</u>	<u>\$ 2,523,893</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF POPLARVILLE, MISSISSIPPI**  
**STATEMENT OF CASH FLOWS -**  
**ENTERPRISE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2003**  
(With Comparative Totals for the Year Ended September 30, 2002)

	<u>2003</u>	<u>2002</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 700,575	\$ 667,534
Cash payments to suppliers and employees	<u>(337,633)</u>	<u>(288,778)</u>
Net cash provided by operating activities	<u>362,942</u>	<u>378,756</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of equipment	(7,946)	(9,141)
Principal paid on revenue bonds payable and notes payable	(207,027)	(197,055)
Interest paid on revenue bonds payable and notes payable	<u>(166,815)</u>	<u>(179,897)</u>
Net cash used for capital and related financing activities	<u>(381,788)</u>	<u>(386,093)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Net transfers to other funds	<u>(19,250)</u>	<u>7,581</u>
Net cash (used for) provided by noncapital financing activities	<u>(19,250)</u>	<u>7,581</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest earned on investments	<u>583</u>	<u>1,278</u>
Net cash provided by investing activities	<u>583</u>	<u>1,278</u>
Increase (decrease) in cash and cash equivalents	(37,513)	1,522
Cash and cash equivalents, beginning of year	<u>249,962</u>	<u>248,440</u>
Cash and cash equivalents, end of year	<u><u>\$ 212,449</u></u>	<u><u>\$ 249,962</u></u>
<b>CLASSIFIED ON THE COMPARATIVE BALANCE SHEETS AS FOLLOWS:</b>		
<b>CURRENT ASSETS</b>		
Pooled cash and cash equivalents	\$ 116,404	\$ 123,991
<b>RESTRICTED ASSETS</b>		
Pooled cash and cash equivalents	<u>96,045</u>	<u>125,971</u>
Cash and cash equivalents , end of year	<u><u>\$ 212,449</u></u>	<u><u>\$ 249,962</u></u>

**CITY OF POPLARVILLE, MISSISSIPPI**  
**STATEMENT OF CASH FLOWS -**  
**ENTERPRISE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2003**  
(With Comparative Totals for the Year Ended September 30, 2002)

	<u>2003</u>	<u>2002</u>
<b>RECONCILIATION OF OPERATING INCOME TO</b>		
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income	<u>\$ 133,885</u>	<u>\$ 142,868</u>
Adjustments reconciling net cash provided by operating activities:		
Depreciation	231,806	232,469
Amortization	382	383
(Increase) decrease in assets:		
Accounts receivable	8,531	(20,991)
Prepaid expenses	(1,088)	22
Increase (decrease) in liabilities:		
Accounts payable	(12,102)	11,148
Other accrued expenses	57	3,994
Compensated absences payable	(6,267)	6,414
Customer deposits	<u>7,738</u>	<u>2,449</u>
Total adjustments	<u>229,057</u>	<u>235,888</u>
Net cash provided by operating activities	<u><u>\$ 362,942</u></u>	<u><u>\$ 378,756</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF POPLARVILLE, MISSISSIPPI**  
**STATEMENT OF REVENUES AND EXPENSES BUDGET (NON-GAAP BASIS) AND ACTUAL -**  
**ENTERPRISE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2003**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES</b>			
Charges for sales and services	\$ 670,747	\$ 701,004	\$ 30,257
Tap fees	<u>1,500</u>	<u>7,245</u>	<u>5,745</u>
Total operating revenues	<u>672,247</u>	<u>708,249</u>	<u>36,002</u>
<b>OPERATING EXPENSES</b>			
Personnel services	141,667	134,726	6,941
Supplies	81,779	79,500	2,279
Other service and charges	126,026	117,954	8,072
Capital outlay	<u>8,219</u>	<u>7,946</u>	<u>273</u>
Total operating expenses	<u>357,691</u>	<u>340,126</u>	<u>17,565</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest income	1,100	583	(517)
Debt service	<u>(372,795)</u>	<u>(373,842)</u>	<u>(1,047)</u>
Total other non-operating revenues (expenses)	<u>(371,695)</u>	<u>(373,259)</u>	<u>(1,564)</u>
Excess of revenues and other financing sources (uses) over (under) expenses	<u>\$ (57,139)</u>	(5,136)	<u>\$ 52,003</u>
Reconciliation to GAAP basis:			
Change in accrued expenses		(57)	
Change in compensated absences payable		6,267	
Change in accounts receivable		(16,205)	
Purchase of fixed assets		7,946	
Principal payment of long-term debt		207,027	
Depreciation expense		<u>(232,189)</u>	
<b>NET LOSS - GAAP BASIS</b>		<u>\$ (32,347)</u>	

The accompanying notes are an integral part of these financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

**CITY OF POPLARVILLE, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2003**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**I. Introduction**

The City of Poplarville, Mississippi, (City) was incorporated in 1876, under the laws of the State of Mississippi. The City operates under a Mayor-Board form of government. The following services are provided by the City: Public Safety (Police, Fire and Protection/Inspection), Street Maintenance, Garbage Collection, Water and Sewer, Social and Recreational, Public Improvements, Planning and Zoning, and General Administrative Services.

The City complies with Generally Accepted Accounting Principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the notes is organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended September 30, 2003.

**II. Basis of Presentation**

**(A) Financial Reporting Entity**

The City is a charter city in which citizens elect the mayor and five board members at large. The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). Based on these criteria, it has been determined that the City has no component units.

See Note 14 for information describing related organizations not included in the City's reporting entity.

**(B) Fund Accounting**

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into three broad fund categories as follows:

***Governmental Fund Types***

Governmental funds are those funds through which the City finances most of its municipal services. Governmental funds are accounted for using the current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available resources during a given period. The City's governmental funds are as follows:



**CITY OF POPLARVILLE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2003**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*General Fund* - The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in other funds.

*Special Revenue Funds* - The special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

*Debt Service Funds* - The debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs which are not being financed by proprietary funds.

*Capital Projects Funds* - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital improvements and facilities (other than those financed by proprietary funds).

***Proprietary Fund Types***

Proprietary funds are accounted for using the economic resources measurement focus; the accounting objectives of which are a determination of net income, financial position, and cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its balance sheet. Proprietary fund equity is reported as retained earnings. The City's proprietary fund is as follows:

*Enterprise Funds* – The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

***Fiduciary Fund Types***

*Trust and Agency Funds* - The trust and agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and other funds. These include expendable trust funds and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

***Account Groups***

Account groups are used to establish accounting control and accountability for the City's general fixed assets and long-term liabilities that are not accounted for in the respective governmental funds. The account groups are not "funds". They are concerned only with the measurement of financial position, not with the measurement of results of operations. The City's account groups are as follows:

*General Fixed Assets Account Group* – The general fixed assets account group is established to account for all general fixed assets (i.e., those fixed assets not accounted for in proprietary funds) that exceed the City's capitalization policies.

**CITY OF POPLARVILLE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2003**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Account Groups (Continued)***

*General Long-Term Debt Account Group* – The general long-term debt account group is established to account for all long-term debt and certain other liabilities of the City that are not specific liabilities of the proprietary funds.

**(C) Total Columns (Memorandum Only)**

Total columns on the general purpose financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. Data in these columns do not present information that reflects financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

**III. Basis of Accounting and Measurement Focus**

**(A) Modified Accrual Basis of Accounting**

All governmental fund types and the agency funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected but unsettled at year-end. A two-month availability period is used for revenue recognition for most other governmental fund revenues.

Revenues not considered available are recorded as deferred revenues, if material. Also, under modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest, which are reported as expenditures in the year due. Liabilities that will not be normally liquidated with expendable available financial resources are recorded in the general long-term debt account group.

Those revenues susceptible to accrual are franchise taxes, sales taxes collected and held by the State at year end on behalf of the City, grants and interest revenues. Licenses and permits, certain charges for services, fines and forfeits and miscellaneous other revenues are recorded as revenues when received in cash because they are generally not measurable or available until actually received.

Disbursements for inventory type items are considered expenditures at the time of purchase rather than at the time the items are used. Disbursements for capital items within governmental funds are considered expenditures when purchased and no depreciation is taken.

**(B) Accrual Basis of Accounting**

The accrual basis of accounting is used by the proprietary funds. Under this method, revenues from exchange transactions are recognized in the accounting period in which they are earned and become measurable. Revenues from non-exchange transactions, such as grants and contributions, are recognized in the period in which all eligibility requirements have been satisfied. Expenses, including depreciation, are recognized in the period incurred, if measurable.

**CITY OF POPLARVILLE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2003**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(C) Use of Estimates**

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**IV. Assets, Liabilities and Equity**

**(A) Cash and Investments**

The City's cash and cash equivalents are primarily considered to be cash on hand and amounts held in demand deposits. For purposes of the statement of cash flows, short-term investments held in proprietary funds with a maturity date within three months of the date acquired by the City, if any, are considered cash equivalents.

The City maintains and controls a major cash pool in which the majority of the City's funds share. Each fund's portion of the pool is displayed on their respective balance sheet as "pooled cash and cash equivalents", some of which are restricted assets. In addition, non-pooled cash is separately held and reflected in their respective funds as "non-pooled cash and cash equivalents", some of which are restricted assets.

State statutes authorize the City to invest in (1) direct obligations of the United States government to the payment of which the full faith and credit of the United States government is pledged, (2) certificates of deposit when insured or secured by acceptable collateral and (3) obligations of the State of Mississippi; or any county, municipality or school district of the State of Mississippi which have been approved by a reputable bond attorney or have been validated by the decree of the chancery court.

**(B) Receivables**

All receivables are shown net of an allowance for uncollectibles. An allowance has been provided in the water and sewer enterprise fund for estimated uncollectible utility charges. The allowance is based on historical collection experience and other relevant circumstances.

**(C) Short-Term Interfund Receivables/Payables**

Numerous interfund transactions occur during the normal course of operations of the City. Disbursements made by one fund which are properly chargeable to another fund result in the creation of interfund receivables and payables which are classified on the balance sheet as "due to/from other funds". A cash transfer between the funds normally settles this type of transaction. All other interfund transactions are accounted for as either an operating transfer or a residual equity transfer. A residual equity transfer represents a transfer of the residual fund balance of a discontinued fund to another fund or a nonrecurring or non-routine transfer of equity between funds. Operating transfers are all legally authorized transfers that are not classified as residual equity transfers.

**CITY OF POPLARVILLE, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2003**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(D) Advances To/From Other Funds**

Transactions between funds that are representative of lending/borrowing arrangements are recorded as advances. The current portion of such advances is referred to as "due to/from other funds." The noncurrent portion of interfund loans is recorded as "advances to/from other funds." Advances between funds are offset by a fund balance reserve account, in applicable governmental funds, to indicate that they do not constitute "expendable available financial resources" and, therefore, are not available for appropriation.

**(E) Restricted Assets**

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

**(F) General Fixed Assets**

General fixed assets have been acquired for general governmental purposes of the City as a whole. Assets purchased or constructed are recorded as expenditures in the governmental fund types of the City and are capitalized in the general fixed assets account group. All fixed assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated fixed assets are recorded at estimated fair value at the time received. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets.

The City has elected not to report public domain or infrastructure fixed assets that are immovable and of value only to the City government. Such assets consist of certain improvements, other than buildings, including roads, curbs and gutters, streets, sidewalks and lighting systems. Therefore, the purpose of stewardship for capital expenditures is satisfied without recording such assets.

**(G) Property, Plant and Equipment**

Property, plant and equipment associated with the activities of proprietary funds are recorded as assets of those funds, and are stated at historical cost if purchased, or at fair value at date of gift if donated. Assets purchased or constructed by non-enterprise funds and contributed to the enterprise fund are recorded at historical cost. Depreciation has been provided over the estimated useful lives using the straight-line method.

The following estimated useful lives for proprietary fund assets are used to compute depreciation:

<u>Asset</u>	<u>Useful Life</u>
Plant structures and improvements	25 - 50 years
Distribution system, water mains and hydrants	40 years
Machinery and equipment	5-10 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed.

**CITY OF POPLARVILLE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2003**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(H) Compensated Absences**

The City's policy requires employees to take vacation time earned in the calendar year following the calendar year in which the leave was earned. All unused vacation time is forfeited. It is the City's policy that all unused sick leave is forfeited upon termination, retirement, lay-off or cause. Retiring and terminated employees are paid for all unused vacation. Accumulated unpaid vacation amounts are accrued when incurred in proprietary funds and reported as a fund liability in governmental funds if expected to be liquidated with expendable available financial resources. Amounts not expected to be liquidated with expendable available financial resources are recorded in the General Long-Term Debt Account Group. The compensated absences liability was computed using the specific identification method whereby the actual number of vacation hours and compensatory hours are multiplied by the employee's hourly rate at September 30, 2003. The resulting liability is then increased to include social security and retirement contributions that the City is required to pay upon liquidation of the liability.

**(I) Post Employment Health Care Benefits**

The City does not have costs associated with post-employment benefits for retired employees. The City does not allow employees to continue in the group plan after retirement except for the federal COBRA requirements.

**(J) Long-Term Obligations**

The City reports long-term debt of governmental funds at face value in the general long-term debt account group. The City capitalizes all lease agreements that are considered to be capital leases under GAAP and includes the net present value of future lease payments in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds. Details of all long-term obligations are presented in Note 8.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as an other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. For proprietary fund types, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amounts from refundings. Issuance costs are reported as deferred charges.

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**(A) Budgetary Data**

The procedures used by the City in establishing the budgetary data recorded in the general purpose financial statements are as follows:

1. The City Clerk's office prepares estimates of available revenue.
2. Department directors submit proposed expenditure budgets to the City Clerk by June 1 each year.
3. The Mayor and the department directors review expenditure budgets and necessary revisions are made.

**CITY OF POPLARVILLE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2003**

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**(A) Budgetary Data (Continued)**

4. Budgeted revenues and expenditures are balanced, and a summary budget is prepared and presented to the Mayor.
5. The City Clerk submits the proposed budget to the Board by August 1.
6. Public hearings are conducted to obtain taxpayer comments.
7. The final budget is approved by September 15 and must be published in a local newspaper on or before September 30.
8. The budget is formally amended at the first meeting in July each year, if necessary. However, budget revisions are made throughout the year (prior to July) as reallocations of funds are necessary, a budget deficit is indicated, or circumstances change which dictate the need for a budget amendment.
9. Formal budgetary integration is employed as a management control device for all governmental and proprietary fund types. Budgets for the Governmental Funds are prepared on the cash basis. Budgets for the Enterprise Funds are prepared on a modified accrual basis (i.e., exclude depreciation and bad debt expense and include principal debt payments and capital outlay).

The legal level of control for all budgets adopted is at the fund level with the exception of the General Fund, which is appropriated at the department level. Administrative control for all budgets is maintained through the establishment of more detailed line-item budgets.

The City Clerk's office exercises budgetary monitoring throughout the fiscal year. An adopted budget may not exceed its appropriated level without Board approval. However, department heads may make transfers of appropriations within a department. Budgetary controls are implemented through the City Clerk's office through the use of budget to actual reports. Any purchase requisition that will cause a line item to exceed its budget will be disallowed by the City Clerk. The department head will then be required to make an inter-department budget transfer or request a budget amendment.

10. Budgeted revenues and other sources, expenditure or expense amounts and other uses, and appropriations to and from fund equity as originally budgeted were amended by the Board as follows:

	<u>Original Budget</u>	<u>Increase (Decrease)</u>	<u>Amended Budget</u>
<b>Revenues and Other Sources</b>			
General fund	\$ 1,352,039	\$ -	\$ 1,352,039
Debt service fund	18,907	-	18,907
Enterprise fund	<u>673,347</u>	<u>-</u>	<u>673,347</u>
 Total revenues	 2,044,293	 -	 2,044,293
 Appropriations from fund equity	 <u>-</u>	 <u>113,578</u>	 <u>113,578</u>
 Total revenues and appropriations from fund equity	 <u>\$ 2,044,293</u>	 <u>\$ 113,578</u>	 <u>\$ 2,157,871</u>

**CITY OF POPLARVILLE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2003**

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**(A) Budgetary Data (Continued)**

	<u>Original Budget</u>	<u>Increase (Decrease)</u>	<u>Amended Budget</u>
<b>Expenditures and Other Uses</b>			
General fund	\$ 1,352,039	\$ 56,439	\$ 1,408,478
Debt service fund	18,907	-	18,907
Enterprise fund	<u>673,347</u>	<u>57,139</u>	<u>730,486</u>
Total expenditures	2,044,293	113,578	2,157,871
Appropriations to fund equity	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures and appropriations to fund equity	<u>\$ 2,044,293</u>	<u>\$ 113,578</u>	<u>\$ 2,157,871</u>

11. An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

**(B) Excess of Expenditures Over Appropriations (Budget)**

For fiscal year ending September 30, 2003 expenditures exceeded budgeted expenditures at the department level as follows:

	<u>Amended Budget Amount</u>	<u>Actual</u>	<u>Excess of Expenditures Over Appropriations</u>
<b>General Fund:</b>			
Public safety:			
Police	<u>\$ 463,644</u>	<u>\$ 468,136</u>	<u>\$ 4,492</u>
Total General Fund	<u>\$ 463,644</u>	<u>\$ 468,136</u>	<u>\$ 4,492</u>

**CITY OF POPLARVILLE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2003**

**NOTE 3: PROPERTY AND SALES TAX REVENUES**

**(A) Property Tax Revenues**

The City bills and collects the real and personal property taxes, and Pearl River County bills and collects auto ad valorem and mobile home taxes for the City. Taxes on real and personal property are levied by the Board at the first regular meeting in September for the ensuing fiscal year, which begins on October 1. Restrictions associated with property tax levies vary with the statutory authority. State law limits the amount of increase in certain property taxes. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount that resulted from the assessments of the previous year plus new construction. Real property taxes become a lien on January 1 and personal property taxes become a lien on March 1 of the current calendar year. Taxes on personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase. All taxes are remitted monthly to the City. In addition, Pearl River County also remits to the City a prorata share of road and bridge taxes collected by the County. Generally accepted accounting principles require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue when received. Real property taxes are recognized as revenue when received because most delinquent real property taxes are collected by selling the real property for outstanding taxes, together with all fees, penalties and damages accruing until date of sale, before the close of the fiscal year.

The rates are expressed in terms of mills (i.e., 10 mills equal one cent). The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt and other purposes for the year ended September 30, 2003 was 48 mills or \$48.00 per \$1,000 of assessed valuation. A summary of the assessed valuations and tax levies of the City for the year ended September 30, 2003, have been provided below. The tax levies have been shown comparative with the two previous years for informational purposes.

State law requires the municipality to exercise its taxing authority for the benefit of other governing authorities, which are not a part of the reporting entity. As provided, the municipality must levy specified ad valorem taxes as directed by the other governing authority and turn all proceeds over to it. The City of Poplarville does not have taxing authority for any other authorities.

The assessed valuations of the City for the year ended September 30, 2003 and 2002, are as follows:

	<u>2003</u>	<u>2002</u>
Realty	\$ 6,852,350	\$ 5,241,088
Personal property (other than auto)	1,339,308	1,164,189
Automobiles and mobile homes	1,642,875	1,594,402
Public utilities	<u>2,022,309</u>	<u>2,070,903</u>
Total assessed valuation	<u>\$ 11,856,842</u>	<u>\$ 10,070,582</u>

The tax levies for the years ended September 30, 2003, 2002 and 2001, are as follows:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
General fund	46.00	48.00	47.68
Debt service fund	<u>2.00</u>	<u>3.00</u>	<u>2.32</u>
Total tax levy	<u>48.00</u>	<u>51.00</u>	<u>50.00</u>



**CITY OF POPLARVILLE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2003**

**NOTE 3: PROPERTY AND SALES TAX REVENUES (Continued)**

**(B) Sales Tax Revenues**

The State levies a 7% sales tax on retail sales and remits 18.5% of the amount collected (within the corporate boundaries of the City of Poplarville) back to the City monthly. Tax revenue reported in the General Fund includes \$472,333 of sales tax revenue.

**NOTE 4: CASH AND INVESTMENTS**

**(A) Cash and Investments**

The City deposits funds in financial institutions selected by the Board of Alderpersons in accordance with Mississippi statutes. At September 30, 2003, cash (including restricted funds) is as follows:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash and cash equivalents	\$ 737,200	\$ 728,502
Certificates of deposit	<u>400,000</u>	<u>400,000</u>
Total cash and investments	<u>\$ 1,137,200</u>	<u>\$ 1,128,502</u>

All of the City's bank balances are entirely insured or collateralized. The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 of the Mississippi Code. Under this program, the City's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered.

**NOTE 5: RECEIVABLES**

The combined balance sheet of the City includes the following receivables at September 30, 2003:

<b>Governmental Fund Types</b>	<u>Governmental Fund Types</u>
Taxes receivable	
Property taxes	\$ 1,684
Franchise fees	26,514
Interest	2,149
Due from other governments	<u>53,348</u>
Total taxes receivable	<u>83,695</u>
Other receivables	
Cellular phones	1,921
Cemetery lots	<u>700</u>
Total other receivables	<u>2,621</u>
Total receivables	<u>\$ 86,316</u>

**CITY OF POPLARVILLE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2003**

**NOTE 5: RECEIVABLES (Continued)**

<b>Proprietary Fund Types</b>	<u>Enterprise Fund</u>
Accounts receivable	
Water and sewer utility charges billed but uncollected	\$ 117,710
Less: allowance for uncollectibles	( 34,352)
Net total receivables	<u>\$ 83,358</u>

**NOTE 6: FIXED ASSETS**

A summary of changes in general fixed assets is as follows:

	<u>Balance 10/01/02</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 9/30/03</u>
Land	\$ 77,803	\$ 390,000	\$ -	\$ 467,803
Buildings	504,325	-	-	504,325
Improvements other than buildings	21,135	-	-	21,135
Vehicles	475,295	10,000	( 9,300)	475,995
Equipment	92,246	-	-	96,246
Equipment under capital lease	79,438	-	-	79,438
Vehicles under capital lease	<u>94,240</u>	<u>-</u>	<u>-</u>	<u>94,240</u>
Total	<u>\$ 1,348,482</u>	<u>\$ 400,000</u>	<u>\$( 9,300)</u>	<u>\$ 1,739,182</u>

During the year, the City acquired land containing a park from a local nonprofit organization. The land had an appraised value of \$390,000. The purchase agreement only required payment of the organization's outstanding debts by the City totaling \$21,284. To reflect the fair value of the land acquired by the City on its financial statements, a capital contribution from the nonprofit organization was recognized in the amount of \$368,716.

The following is a summary of fixed assets of the proprietary fund types at September 30, 2003:

Land	\$ 24,915
Buildings	52,653
Water distribution and sewer treatment facilities	9,340,089
Machinery and equipment	<u>148,061</u>
Total fixed assets	9,565,718
Less: accumulated depreciation	( 3,566,023)
Net fixed assets	<u>\$ 5,999,695</u>

Depreciation expense of the proprietary fund types, aggregating \$231,806, has been charged as a period cost in the current fiscal year.

**CITY OF POPLARVILLE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2003**

**NOTE 7: INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances at September 30, 2003 is as follows:

	<u>Advances From Other Funds</u>	<u>Advances To Other Funds</u>
<u>General Fund</u>		
Water and Sewer Fund	\$ -	\$ 171,704
<u>Enterprise Fund</u>		
General Fund	171,704	-
Totals	<u>\$ 171,704</u>	<u>\$ 171,704</u>

**NOTE 8: LONG-TERM DEBT**

**(A) General Long-Term Debt Account Group**

The following changes occurred in liabilities reported in the General Long-Term Debt Account Group for the year ended September 30, 2003:

	<u>Payable at 10/01/02</u>	<u>Additions</u>	<u>Reductions</u>	<u>Payable at 9/30/03</u>
General obligation notes payable	\$ 146,908	\$ -	\$( 13,206)	\$ 133,702
General capital leases payable	84,230	-	( 49,400)	34,830
Total general obligation liabilities	<u>\$ 231,138</u>	<u>\$ -</u>	<u>\$( 62,606)</u>	<u>\$ 168,532</u>

*General Obligation Notes*

The City issued general obligation notes to provide funding for various capital improvement projects. The notes are also direct obligations of the City and pledge the full faith and credit of the City.

The general obligation notes outstanding as of September 30, 2003 are as follows:

<u>Description</u>	<u>Original Amount</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Outstanding Amount</u>
State of Mississippi	\$ 213,000	01/17/97	4.00%	\$ 133,702

The annual debt service requirements to maturity for the general obligation notes are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 13,806	\$ 5,100	\$ 18,906
2005	14,368	4,538	18,906
2006	14,954	3,952	18,906
2007	15,563	3,343	18,906
2008	16,197	2,709	18,906
2009-2012	<u>58,814</u>	<u>4,113</u>	<u>62,927</u>
Totals	<u>\$ 133,702</u>	<u>\$ 23,755</u>	<u>\$ 157,457</u>

**CITY OF POPLARVILLE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2003**

**NOTE 8: LONG-TERM DEBT (Continued)**

**(A) General Long-Term Debt Account Group (Continued)**

*General Capital Lease Obligations*

The City has entered into various lease agreements as lessee for financing the acquisition of heavy equipment, vehicles, and certain small equipment needs. Those lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The general capital lease obligations outstanding as of September 30, 2003 are as follows:

Description	Original Amount	Issue Date	Effective Interest Rate	Outstanding Present Value
General government – tractor lease	\$ 39,899	01/07/99	4.90%	\$ 2,986
General government – backhoe lease	39,539	02/20/99	4.90%	4,421
General government – truck lease	17,320	01/24/01	5.69%	2,083
General government – 2 police cars lease	38,514	03/15/01	5.69%	7,025
General government – police car lease	19,257	09/20/01	4.59%	6,848
General government – police car lease	<u>19,149</u>	07/12/02	4.04%	<u>11,467</u>
	<u>\$ 173,678</u>			<u>\$ 34,830</u>

The following is an analysis of property leased under general capital leases as of September 30, 2003:

	Cost
Vehicles	\$ 94,240
Machinery and equipment	<u>79,438</u>
Total	<u>\$ 173,678</u>

The following is a schedule of future minimum lease payments under general capital leases and present value of net minimum payments at September 30, 2003:

Year Ending September 30	Total
2004	\$ 30,458
2005	<u>5,657</u>
Total minimum lease payments	36,115
Less: amount representing interest	<u>( 1,285 )</u>
Present value of future minimum lease payments	<u>\$ 34,830</u>

**CITY OF POPLARVILLE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2003**

**NOTE 8: LONG-TERM DEBT (Continued)**

**(A) General Long-Term Debt Account Group (Continued)**

*Legal Debt Margin*

The City's legal debt limit for general obligation bonds is \$1,778,526, of which \$1,651,692 is available to the City for further borrowing.

**(B) Enterprise Fund Obligations**

The following changes occurred in long-term debt liabilities reported in the enterprise fund for the year ended September 30, 2003:

	<u>Bonds</u>	<u>Notes Payable</u>	<u>Total</u>
Balance at 10/1/02	\$ 525,665	\$ 3,224,760	\$ 3,750,425
New issues	-	-	-
Payments	( 30,160)	( 176,867)	( 207,027)
Balance at 9/30/03	<u>\$ 495,505</u>	<u>\$ 3,047,893</u>	<u>\$ 3,543,398</u>

*Revenue Bonds*

Revenue bonds are bonds for which the City pledges income derived from the acquired or constructed assets to pay debt service.

The revenue bonds outstanding as of September 30, 2003 are as follows:

<u>Description</u>	<u>Issue Amount</u>	<u>Date</u>	<u>Interest Rate</u>	<u>Outstanding Amount</u>
GMAC Commercial Mortgage – Revenue Bonds	\$ 883,000	5/81	5.000%	\$ 495,505

The annual bonded debt service requirements to maturity for the revenue bonds are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 30,857	\$ 24,331	\$ 55,188
2005	32,436	22,752	55,188
2006	34,095	21,093	55,188
2007	35,839	19,349	55,188
2008	37,673	17,515	55,188
2009-2013	219,327	56,613	275,940
2014-2016	<u>105,278</u>	<u>6,164</u>	<u>111,442</u>
Totals	<u>\$ 495,505</u>	<u>\$ 167,817</u>	<u>\$ 663,322</u>

**CITY OF POPLARVILLE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2003**

**NOTE 8: LONG-TERM DEBT (Continued)**

**(B) Enterprise Fund Obligations (Continued)**

*Revenue Bonds (continued)*

The City's Water and Sewer Revenue Bonds dated May 5, 1981, require the establishment of certain funds (accounts) and periodic transfers of money to these funds as follows:

- (a) Operation and Maintenance Fund - Into which shall be deposited all revenues derived from water and sewer services to pay all expenses of the waterworks and sewer system.
- (b) Water and Sewer System Bond Cushion Fund - Into which there shall be deposited \$325 per month until the funds and investments shall equal \$40,000.
- (c) Waterworks and Sewer System Depreciation Fund - Into which shall be deposited \$75 per month until the funds and investments shall equal \$9,000.
- (d) Waterworks and Sewer System Contingent Fund - Into which shall be deposited \$50 per month until the funds and investments shall equal \$6,000.

These monies are not separate funds but are restricted accounts within the water and sewer fund.

At September 30, 2003, the balances in the restricted accounts required by the bond covenants are as follows:

	<u>Required Balance</u>	<u>Balance 9/30/03</u>	<u>(Under) Over Funded</u>
Bond cushion fund	\$ 40,000	\$ 64,700	\$ 24,700
Depreciation fund	6,000	6,000	-
Contingent fund	<u>9,000</u>	<u>9,000</u>	<u>-</u>
Totals	<u>\$ 55,000</u>	<u>\$ 79,700</u>	<u>\$ 24,700</u>

*Enterprise Note Obligations*

The City's enterprise fund finances extensions and improvements to its system through note obligations that are subordinate to the revenue bonds.

The City maintains two state revolving loans, which enabled the City to provide sewer services in needed areas. One loan is to be repaid over a period of twenty years, non-interest bearing. Payment on this loan is made by way of sales tax reductions from amounts due to the City for sales taxes collected in the City. The water and sewer fund then reimburses the general fund for the amount of the deduction. The second loan is to be repaid over a period of twenty years, bearing interest at 4%. Loan payments are made monthly in the amount of \$26,467.

A summary of enterprise note obligations outstanding at September 30, 2003 is as follows:

<u>Description</u>	<u>Original Amount</u>	<u>Date</u>	<u>Interest Rate</u>	<u>Outstanding Amount</u>
State Revolving Fund Loan	\$ 14,190	9/30/84	-	\$ 649
State Revolving Fund Loan	<u>4,151,089</u>	8/15/96	4.0%	<u>3,047,244</u>
Total	<u>\$ 4,165,279</u>			<u>\$ 3,047,893</u>

**CITY OF POPLARVILLE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2003**

**NOTE 8: LONG-TERM DEBT (Continued)**

**(B) Enterprise Fund Obligations (Continued)**

*Enterprise Note Obligations (continued)*

The annual debt service requirements to maturity for the enterprise note obligations are as follows:

Year Ending September 30	Principal	Interest	Total
2004	\$ 184,899	\$ 133,356	\$ 318,255
2005	192,714	124,892	317,606
2006	201,567	116,039	317,606
2007	210,827	106,779	317,606
2008	220,512	97,094	317,606
2009-2013	1,264,152	323,878	1,588,030
2014-2016	<u>773,222</u>	<u>45,593</u>	<u>818,815</u>
Totals	<u>\$ 3,047,893</u>	<u>\$ 947,631</u>	<u>\$ 3,995,524</u>

**NOTE 9: UNEMPLOYMENT COMPENSATION FUND**

In lieu of making payments to the Mississippi Employment Security Commission (MESC), the City maintains a revolving fund for unemployment benefits with a balance equal to 2% of the first \$6,000 of covered employee wages paid in the preceding calendar year. At September 30, 2003, the required balance in this account was \$4,666. The actual balance at September 30, 2003, was \$5,388.

**NOTE 10: RESERVED RETAINED EARNINGS AND RESTRICTED ASSET ACCOUNTS**

The City's bond covenants, as more fully explained at Note 8, require certain restricted deposits to be maintained. Such restricted assets exceeding recorded liabilities against such restricted assets represent reservations of the water and sewer fund's retained earnings.

The reserved portions are as follows:

**Restricted Assets**

Customer deposits	\$ 41,045
Revenue bond cushion fund account	64,700
Revenue bond depreciation account	9,000
Revenue bond contingent account	<u>6,000</u>
Total restricted accounts	<u>120,745</u>

**Liabilities Payable From Restricted Assets**

Customer deposits	41,045
Revenue bonds principal (current portion)	<u>30,857</u>
Total liabilities payable from restricted assets	<u>71,902</u>
Reserved retained earnings	<u>\$ 48,843</u>

**CITY OF POPLARVILLE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2003**

**NOTE 11: RISK MANAGEMENT**

The City is covered for significant losses through commercial insurance carriers except for the following, which are covered through self-insurance risk pools.

***Self-Insurance – Workers Compensation Fund***

The City is one of approximately 250 members in the Mississippi Municipal Worker's Compensation Group, Inc. This non-profit corporation is a self-insurance worker's compensation fund organized under the non-profit laws of the State of Mississippi. The group is self-insured under statutory workers compensation protection up to \$1,000,000. Members are jointly and severally liable for the obligations of the group. The possibility of additional liability exists, but that amount, if any, cannot be determined.

***Self-Insurance – Liability Fund***

The City is one of approximately 250 members in the Mississippi Municipal Liability Plan. The Plan is a private non-profit corporation organized under the laws of the State of Mississippi. The Plan provides liability and tort claims insurance for its members up to \$500,000 and \$50,000 per occurrence, respectively. The Plan is totally self-insured with claims and expenses paid out of the premiums and the members are jointly and severally liable for any claims and expenditures beyond the premium base. The possibility of additional liability exists, but that amount, if any cannot be determined.

**NOTE 12: SEGMENT INFORMATION - ENTERPRISE FUND**

The City maintains one enterprise fund, a water and sewer operation. The water and sewer fund provides and accounts for the provision of basic utility services to all citizens. Selected segment information for the year ended September 30, 2003, is as follows:

	Water and Sewer
Operating revenue	\$ 692,044
Depreciation and amortization	232,189
Operating income	133,885
Income from water service	399,461
Income from sewer service	260,347
Properties connected with water lines	1,153
Properties connected with sewer lines	889
Metered customers - water	1,136
Metered customers - sewer	870
Unmetered customers - water	17
Unmetered customers - sewer	19

**NOTE 13: OTHER COMMITMENTS AND CONTINGENCIES**

**(A) Federal Grants**

In the normal course of operations, the City receives grant funds from various Federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.



**CITY OF POPLARVILLE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2003**

**NOTE 13: OTHER COMMITMENTS AND CONTINGENCIES (Continued)**

**(B) Litigation**

The City is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City. The amount of contingent liability, if any, that the City could be obligated for cannot reasonably be determined.

**(C) City Wastewater Treatment Facility**

The City's Enterprise Fund operates a wastewater treatment facility that is regulated by the Environmental Protection Agency (EPA). Changes in the EPA law or regulations could have a direct effect on the Enterprise Fund and the City. The possibility of additional liability related to changes in these laws and regulations exists. However, this liability cannot be determined at this time.

**(D) Water Tank Maintenance Contract**

The City entered into a contract with Tank Pro, Inc. in 2001 for the annual inspection, maintenance, and repair of the City's water tank. The City paid Tank Pro, Inc. \$6,100 in the year ended September 30, 2003. Annual payments are required by the City in the amount of \$6,100 for 2004 and 2005, \$6,558 for 2006 through 2008, \$7,050 for 2009 through 2011, and a final payment of \$7,580 in 2012. These payments are reported as other operating expenses in the Statement of Revenues and Expenses of the Enterprise Fund. The City has the option to cancel the agreement provided that they give Tank Pro, Inc. one year's advance notice.

**NOTE 14: JOINT VENTURE**

The Poplarville – Pearl River County Airport is a joint venture between the City and Pearl River County. The City and Pearl River County jointly lease the land and own the buildings of the Poplarville - Pearl River County Airport. The City provides \$3,300 each year to the Airport Board (the City also provides liability insurance and utilities) and the County provides \$5,000. All of the revenues are expended each year. Any potential future financial benefit or burden to the City resulting from the airport is not determinable at this time. The Poplarville-Pearl River County Airport Board does not issue financial statements at this time.

**NOTE 15: EXCLUDED ENTITY**

The Poplarville Public Library Branch of the Pearl River County Library System is excluded from the financial reporting entity. The City has no significant influence over the management, budget, or policies of the library. The City owns the Poplarville Public Library land and building which are recorded in the City's general fixed asset account group as follows: Land, \$40,000; Building, \$229,395; and Improvements other than Buildings, \$21,135. The City also provided \$20,000 in support during the year ended September 30, 2003, and pays the liability insurance policy for the library. The Pearl River County Library System's financial information is reported independently.

**NOTE 16: RETIREMENT PLANS**

**(A) Public Employees' Retirement System (PERS)**

The City participates in a retirement system administered by the Public Employees' Retirement System of Mississippi (PERS). The system is a defined benefit plan and includes a multi-employer, cost-sharing pension plan described as follows:

**CITY OF POPLARVILLE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2003**

**NOTE 16: RETIREMENT PLANS (Continued)**

**(A) Public Employees' Retirement System (PERS) (Continued)**

***Plan Description and Provisions***

Substantially all of the City's full-time employees participate in PERS, a multi-employer, cost-sharing, defined benefit public employee pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444 PERS.

***Description of Funding Policy***

PERS members are required to contribute 7.25% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the years ending September 30, 2003, 2002, and 2001 were \$70,842, \$68,263, and \$57,085, respectively, equal to the required contributions for each year.

***Trend Information***

Ten-year historical trend information showing PERS' progress in accumulating sufficient assets to pay benefits when due is presented in the PERS June 30, 2003, financial report.

**(B) Deferred Compensation Plan – State Sponsored**

The Mississippi Public Employees' Retirement System (PERS) offers the City voluntary participation in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Effective January 1, 1997, the Plan was amended by the State in accordance with the provisions of IRC Section 457(g). On that date, assets of the Plan were placed in trust by the State for the exclusive benefit of participants and their beneficiaries. The requirements of that IRC Section prescribe that the assets are no longer subject to the claims of the City's general creditors. Accordingly, the assets and the liabilities for the compensation deferred by plan participants are not reflected in the City's financial statements.

**NOTE 17: SUBSEQUENT EVENTS**

**(A) Sale of Property in Industrial Park**

The City sold two parcels of land of approximately one acre each in the Industrial Park that it jointly owns with Pearl River County in November 2003. The City's share of the proceeds from the sales was \$4,000 and \$2,500, respectively.

**(B) Award of Federal Grant**

In December 2003, the City was awarded a grant totaling \$12,710 from the Department of Homeland Security for the purchase of safety equipment by various City departments.

**CITY OF POPLARVILLE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2003**

**NOTE 18: NEW REPORTING STANDARD**

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." This Statement establishes new financial reporting requirements for state and local governments throughout the United States. When implemented, it will require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in all prior years will be affected. The City is required to implement this standard for the fiscal year ending September 30, 2004. The City has not yet determined the full impact that adoption of GASB Statement 34 will have on the financial statements.

## **SUPPLEMENTAL INFORMATION**

**CITY OF POPLARVILLE, MISSISSIPPI**  
**BALANCE SHEET**  
**ENTERPRISE FUND**  
**SEPTEMBER 30, 2003**  
(With Comparative Totals for September 30, 2002)

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Pooled cash and cash equivalents	\$ 116,404	\$ 123,991
Accounts receivable, net of allowance for uncollectibles	83,358	91,889
Prepaid expenses	<u>2,029</u>	<u>941</u>
Total current assets	<u>201,791</u>	<u>216,821</u>
<b>RESTRICTED ASSETS</b>		
Pooled cash and cash equivalents	<u>96,045</u>	<u>125,971</u>
Total restricted assets	<u>96,045</u>	<u>125,971</u>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Land	24,915	24,915
Buildings	52,653	52,653
Water distribution and sewage treatment facilities	9,340,089	9,340,089
Machinery and equipment	<u>148,061</u>	<u>140,115</u>
Total property, plant and equipment	9,565,718	9,557,772
Less: accumulated depreciation	<u>(3,566,023)</u>	<u>(3,334,217)</u>
Net property, plant and equipment	<u>5,999,695</u>	<u>6,223,555</u>
<b>OTHER ASSETS</b>		
Expense of bond issues, net of accumulated amortization	<u>5,580</u>	<u>5,962</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 6,303,111</u></u>	<u><u>\$ 6,572,309</u></u>

	<u>2003</u>	<u>2002</u>
<b>LIABILITIES AND FUND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 11,010	\$ 23,112
Other accrued expenses	7,793	7,736
Compensated absences payable	4,268	10,535
Current portion of notes payable	<u>184,899</u>	<u>176,867</u>
Total current liabilities	<u>207,970</u>	<u>218,250</u>
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>		
Customer deposits	41,045	33,307
Current maturities of revenue bonds payable	<u>30,857</u>	<u>29,355</u>
Total current liabilities payable from restricted assets	<u>71,902</u>	<u>62,662</u>
<b>NONCURRENT LIABILITIES</b>		
Revenue bonds payable, net of current maturities	464,648	496,310
Notes payable, net of current maturities	2,862,994	3,047,893
Advances from other funds	<u>171,704</u>	<u>190,954</u>
Total noncurrent liabilities	<u>3,499,346</u>	<u>3,735,157</u>
Total liabilities	<u>3,779,218</u>	<u>4,016,069</u>
<b>FUND EQUITY</b>		
Contributed capital - federal sources	2,135,332	2,200,657
Retained earnings:		
Reserved for bond indenture	48,843	63,309
Unreserved	<u>339,718</u>	<u>292,274</u>
Total fund equity	<u>2,523,893</u>	<u>2,556,240</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u><u>\$ 6,303,111</u></u>	<u><u>\$ 6,572,309</u></u>

See accompanying auditors' report

**CITY OF POPLARVILLE, MISSISSIPPI**  
**SCHEDULE RECONCILING ORIGINAL AD VALOREM TAX ROLLS**  
**TO FUND COLLECTIONS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2003**

**ASSESSED VALUATION AND MILLAGE**

	Assessed Value	Tax
Real property	\$ 6,852,350	\$ 328,913
Personal property - (other than auto)	1,339,308	64,287
Automobiles and mobile homes	1,642,875	78,858
Public utilities	<u>2,022,309</u>	<u>97,071</u>
 Total City at 48.0 mills	 11,856,842	 569,128
 Less: Homestead exemption allowed	 <u>(1,298,175)</u>	 <u>(62,312)</u>
 Total City	 <u><u>\$ 10,558,667</u></u>	 <u><u>\$ 506,816</u></u>
 Collections adjustments		
Add: Actual homestead reimbursement		42,684
In lieu of taxes		2,290
County road tax		17,147
Prior tax collections		14,594
Additions to tax roll		738
Penalties and interest on delinquent taxes		9,499
 Deduct: Unpaid property taxes		(9,463)
Tax collector commission		(4,013)
Adjustments to tax roll		<u>(17,446)</u>
 Total to be accounted for		<u><u>\$ 562,846</u></u>

**COLLECTIONS**

	Taxes	Homestead Reimbursement	Total
Collections allocated to fund			
General fund	\$ 506,027	\$ 42,684	\$ 548,711
Debt service	<u>15,746</u>	<u>-</u>	<u>15,746</u>
	<u><u>\$ 521,773</u></u>	<u><u>\$ 42,684</u></u>	564,457
		Unaccounted for	<u>(1,611)</u>
			<u><u>\$ 562,846</u></u>

See accompanying auditors' report.

**CITY OF POPLARVILLE, MISSISSIPPI**  
**SCHEDULE OF SURETY BONDS FOR CITY OFFICIALS**  
**2001 - 2005 TERM**

Official's Title	Name	Surety Company	Serial Number	Coverage Amount	Date
City Clerk and Tax Collector	Jody Stuart	USF&G	400SM2962	\$ 85,000	8/11/2004
Chief of Police	Charles Fazende	USF&G	400SL1775	50,000	6/30/2004
Position Blanket Bond for Police Officers		Anderson Walker	T215372	10,000	4/19/2004
Position Blanket Bond for Bookkeeper, Billing Clerk, and Municipal Court Clerk		CNA Surety	18-028-857	20,000	5/9/2004
Position Blanket Bond for Alderpersons		USF&G	SL1862	20,000	7/1/2005

See accompanying auditors' report.



**CITY OF POPLARVILLE, MISSISSIPPI**  
**SCHEDULE OF LONG - TERM DEBT**  
**SEPTEMBER 30, 2003**

	Balance Outstanding October 1, 2002	Transactions During Fiscal Year		Balance Outstanding September 30, 2003
		Issued	Redeemed	
<b>General Government</b>				
Capital Leases				
Hancock Bank - Backhoe	\$ 12,945	\$ -	\$ 8,524	\$ 4,421
Hancock Bank - Tractor	11,658	-	8,672	2,986
Hancock Bank - 2 Police cars	20,492	-	13,467	7,025
Hancock Bank - Police car	13,389	-	6,541	6,848
Hancock Bank -Truck	8,101	-	6,018	2,083
Hancock Bank - Police car	17,645	-	6,178	11,467
Total capital leases	84,230	-	49,400	34,830
Note payable - State of Mississippi	146,908	-	13,206	133,702
Total general government	231,138	-	62,606	168,532
<b>Enterprise Fund</b>				
Notes Payable				
State revolving fund	1,359	-	710	649
State revolving fund	3,223,401	-	176,157	3,047,244
Total notes payable	3,224,760	-	176,867	3,047,893
Revenue Bond				
GMAC Commercial Mortgage	525,665	-	30,160	495,505
Total enterprise funds	3,750,425	-	207,027	3,543,398
<b>Total Long - Term Debt</b>	<b>\$ 3,981,563</b>	<b>\$ -</b>	<b>\$ 269,633</b>	<b>\$ 3,711,930</b>

See accompanying auditors' report.

**CITY OF POPLARVILLE, MISSISSIPPI  
COMPUTATION OF LEGAL DEBT MARGIN  
SEPTEMBER 30, 2003**

**Authorized Debt Limit 15 Percent Rule**

2002 Tax roll	\$ 11,856,842	@ 15%	\$ 1,778,526
Bonded indebtedness			3,677,100
Less: Assets available in debt service fund available for principal payment			(6,868)
Less: Authorized exemptions			
Water & Sewer Notes Payable	3,047,893		
Water & Sewer Revenue Bonds	<u>495,505</u>	<u>(3,543,398)</u>	
Present debt subject to 15% limit			<u>126,834</u>
Margin for further debt under 15% limit			<u><u>\$ 1,651,692</u></u>

Section 21-33-303 of Mississippi Code of Ordinances 1972 Annotated-Limitation of indebtedness as amended April 8, 1985, March 30, 1987, October 1, 1989, March 1, 1992, and July 1, 1996.

No municipality shall hereafter issue bonds secured by a pledge of its full faith and credit for the purposes authorized by law in an amount which, when added to the then outstanding bonded indebtedness of such municipality, shall exceed either (a) fifteen percent (15%) of the assessed value of the taxable property within such municipality, according to the last completed assessment for taxation, or (b) ten percent (10%) of the assessment upon which taxes were levied for its fiscal year ending September 30, 1984, whichever is greater. In computing such indebtedness, there may be deducted all bonds or other evidences of indebtedness, heretofore or hereafter issued, for school, water, sewage systems, gas, and light and power purposes, and for the construction of special improvements primarily chargeable to the property benefited, or for the purpose of paying the municipality's proportion of any betterment program, a portion of which is primarily chargeable to the property benefited. However, in no case shall any municipality contract any indebtedness which, when added to all of the outstanding general obligation indebtedness, both bonded and floating, shall exceed either (a) twenty percent (20%) of the assessed value of all taxable property within such municipality according to the last completed assessment for taxation or (b) fifteen percent (15%) of the assessment upon which taxes were levied for its fiscal year ending September 30, 1984, whichever is greater. Nothing herein contained shall be construed to apply to contract obligations in any form heretofore or hereafter incurred by any municipality which are subject to annual appropriations therefore or to bonds heretofore issued by any municipality for school purposes or to contract obligations in any form heretofore or hereafter incurred by any municipality which are payable exclusively from the revenues of any municipally-owned utility, or to bonds issued by any municipality under the provisions of Sections 57-1-1 through 57-1-51, or to any special assessment improvement bonds issued by any municipality under the provisions of Sections 21-41-1 through 21-41-53.

**CITY OF POPLARVILLE, MISSISSIPPI  
COMPUTATION OF LEGAL DEBT MARGIN  
SEPTEMBER 30, 2003**

**Authorized Debt Limit 20 Percent Rule**

2002 Tax roll	\$ 11,856,842	@ 20%	\$ 2,371,368
Total of all contracted indebtedness			3,711,930
Less: Assets available in debt service fund available for principal payment			(6,868)
Less: Authorized exemptions			
Water & Sewer Notes Payable	3,047,893		
Water & Sewer Revenue Bonds	<u>495,505</u>	<u>(3,543,398)</u>	
Present debt subject to 20% limit			<u>161,664</u>
Margin for further debt under 20% limit			<u><u>\$ 2,209,704</u></u>

See accompanying auditors' report.



**INDEPENDENT AUDITORS' REPORT ON  
COMPLIANCE AND ON INTERNAL CONTROLS  
OVER FINANCIAL REPORTING BASED ON  
AN AUDIT OF THE FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

December 16, 2003

Mayor and Board of Alderpersons  
Poplarville, Mississippi

We have audited the financial statements of the City of Poplarville, Mississippi, as of and for the year ended September 30, 2003, and have issued our report thereon dated December 16, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the City of Poplarville, Mississippi's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of City of Poplarville, Mississippi, in a separate letter dated December 16, 2003.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Poplarville, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of City of Poplarville, Mississippi, in a separate letter dated December 16, 2003.

This report is intended for the information and use of the management, Board of Alderpersons, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
ALEXANDER, VAN LOON, SLOAN, LEVENS & FAVRE, PLLC

Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH MISSISSIPPI STATE LAWS AND REGULATIONS**

December 16, 2003

Mayor and Board of Alderpersons  
Poplarville, Mississippi

We have audited the general purpose financial statements of the City of Poplarville, Mississippi as of and for the year ended September 30, 2003, and have issued our report thereon dated December 16, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

As required by the state legal compliance audit program prescribed by Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the general purpose financial statements disclosed no material instances of noncompliance with state laws and regulations.

This report is intended for the information of the City's management and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

  
ALEXANDER, VAN LOON, SLOAN, LEVENS & FAVRE, PLLC

Certified Public Accountants  
Gulfport, Mississippi





December 16, 2003

Mayor and Board of Alderpersons  
City of Poplarville, Mississippi

In planning and performing our audit of the financial statements of the City of Poplarville, Mississippi for the year ended September 30, 2003, we considered the City's internal control to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we noted certain matters involving internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated December 16, 2003 on the financial statements of the City of Poplarville, Mississippi.

We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve internal controls or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

We appreciate the opportunity to be of continued service to the City of Poplarville, Mississippi and express our gratitude to the employees for their assistance in conducting our examination.

*Alexander, Van Loon, Sloan, Levens & Favre*  
ALEXANDER, VAN LOON, SLOAN, LEVENS & FAVRE, PLLC  
Certified Public Accountants  
Gulfport, Mississippi

## **MUNICIPAL COMPLIANCE**

### Adherence with Publication Laws

Mississippi State Code Section 21-33-47 requires that the City publish the adopted tax levy within ten days of its adoption by the Board. The Code does not require that the full resolution be presented; rather, it allows for the City to summarize the full text of the resolution. Per review of the actual publication in the local newspaper, only a notice was published which informed citizens that the tax levy had been approved and was available to the public at City Hall.

We are of the opinion that the intent of the law has not been complied with and, therefore, suggest that future notices contain the actual millage rates levied.

## **PROPERTY TAXES**

### Allocation of tax levy between funds

We noted that the City allocates real and personal property taxes collected between the general fund and the debt service fund based on the adopted millage rates. However, the City does not allocate automobile tags collected and homestead exemption reimbursements remitted by the State based on those rates.

We suggest that in the fiscal year ending September 30, 2004, the City also allocate the automobile tags and homestead exemption based on the current millage rates. Also, while preparing the municipal budget for the year ending September 30, 2005, the City should consider lowering the debt service millage and raising the general fund millage to offset these allocations.

## **MUNICIPAL COURT**

### Deposit of Court Fines Collected

We noted that money collected from court fines is only being deposited about four times a month (weekly). We suggest that the fines, which are collected at a location other than City Hall, be brought to City Hall the following day after collection to be included with the City Hall's daily bank deposit. This will reduce the risk of loss from burglary, misplacement, or misappropriation, and also make the cash available for expenditure or investment.

## **MANAGEMENT FOCUS**

### Preparation of Bank Reconciliations

While performing the audit, we noted that the monthly reconciliation of the City's bank accounts, which the City outsources to a local bookkeeper, is sometimes not performed until three months after the end of the applicable month. A reconciliation of the bank balance to the general ledger balance should be performed on a timely basis to ensure that all cash transactions have been recorded properly and that the bank has not made any errors. Most banks have a time limit, usually thirty days or less, in which a bank error can be reported.

We recommend that the bank reconciliations be performed as soon as the bank statements become available to ensure that all transactions are properly recorded and that any bank errors are corrected timely.

### Adjustment of Water Bills

Per review of the Board's minutes, the City approved a blanket adjustment for any customer disputing an irregularly high monthly water bill. The proposal was to adjust the high bill to the average bill of the customer for the previous six months.

We recommend that the Board consider all adjustments on a case-by-case basis. The customer may have a leak that is causing the high bill that should first be investigated. The high bill could also be the result of a meter being read in error in the prior month. This blanket adjustment of a large number of water bills may have resulted in the City forfeiting a substantial amount of revenue.

### Water and Sewer Deficit

The final results of our audit procedures on the water and sewer fund reflect a net loss of \$32,347, \$35,752, and \$49,487 for fiscal years 2003, 2002, and 2001, respectively. By definition, an enterprise fund provides goods or services to the general public on a continuing basis to be financed or recovered primarily through user charges. Currently, the City is only collecting enough revenue to cover operation and maintenance expenses, administrative expenses, and debt service. Depreciation expense of more than \$200,000 on the enterprise fund's fixed assets results in a net loss each year.

We encourage management to take the necessary steps to identify the adequacy of rates being charged to customers and/or investigate expense areas for potential cost containment so that fund reserves of the water and sewer enterprise fund are not depleted.



#### Interfund Receivables and Payables

The City's interfund receivables and payables between the general fund and the water and sewer fund are significant, \$171,704 at September 30, 2003. The majority of this balance is the result of a loan made by the general fund to the water and sewer fund in 2000 in the amount of \$143,306. At the current water and sewer rate structure, the water and sewer fund is able to repay approximately \$20,000 per year to the general fund. It will take almost nine years for the general fund to be repaid in full assuming that no additional loans between the funds take place.

We recommend that the City review the current water and sewer billing rates to determine if the current surcharge being billed to customers can be increased to expedite pay off of the interfund loan. As an alternative, the Board could classify the original loan made by the general fund to the water and sewer fund as a transfer, which would relieve the water and sewer fund of repayment obligations. To accomplish this, the Board would need to pass a resolution, to be included in the Board minutes, reclassifying the original loan as a transfer. Also, we recommend that the City attempt to keep interfund borrowing to a minimum in the future.

#### Oversight Responsibilities of the Airport Board

The Poplarville-Pearl River County Airport was created by a joint resolution of the City of Poplarville and Pearl River County dated August 1, 1968. The resolution imposes the following five requirements on the Airport Board.

1. The Airport Board shall hold monthly meetings.
2. The Airport Board shall report in writing to the City and County the following prior to August of each year:
  - a. A summary of proceedings for the preceding fiscal year.
  - b. A detailed statement of revenues and expenditures for the preceding fiscal year and a budget of revenues and expenditures for the upcoming year.
  - c. Any information that may be deemed as necessary and useful.
  - d. Any information requested by the City or County.
3. The expenditures of the Airport Board are limited by the budget that was presented to and approved by the City and County.
4. The Airport Board must seek approval of the City and County prior to making any expenditure in excess of their approved budget.
5. The Airport Board must supply the City and County with a copy of all its rules and regulations for public inspection.

Oversight Responsibilities of the Airport Board (Continued)

During this year's audit, we learned that the Airport Board had not met in over one year. The Airport Board has also failed to provide the City with financial statements for previous years and budgets for upcoming fiscal years. Additionally, the City does not have a copy of the Airport's rules and regulations for public inspection.

According to the joint resolution approved by the City and County, the Airport Board has no authority to expend money without first having a budget approved by the City and County. We suggest that the Board of Alderpersons notify the Airport Board of the above requirements and of their expectation that the Airport Board comply. This can be accomplished through a letter drafted to the Airport Board president or a joint work session scheduled between the Board of Alderpersons and the Airport Board. Since the City would be responsible for Airport Board liabilities if the Airport ceased operations, we recommend that the City take all necessary steps to ensure that the Airport is in good financial health, has an internal control structure in place to diminish the risk of fraud or misappropriation, and is in compliance with the requirements of any restrictions imposed by funding sources or grantors.

GASB 34 Implementation

As noted in the prior year, the City will be required to implement the new Governmental Accounting Standards Board (GASB) Statement 34 Reporting Model effective October 1, 2003, which is effective for the fiscal year ending September 30, 2004. The focus of the new reporting model requires that governmental entities report the operations of all funds on an economic measurement basis. In other words, government entities will be required to report essentially the same as profit-oriented businesses. This means that the City will be required to record and depreciate all fixed assets that have a remaining useful life as of October 1, 2003. While the City has been depreciating all fixed assets included in its enterprise fund, it will also be required to depreciate the assets included in the General Fixed Asset Account Group. The retroactive effect of this implementation will apply to all fixed assets dating back twenty years. The City will need to determine the economic lives of all the fixed assets not currently being depreciated and calculate the accumulated depreciation as of October 1, 2003 as though the assets had been depreciated since acquisition. We recommend the City make every effort to begin dedicating resources needed to make this implementation as smooth a transition as possible. Also, the City may wish to consult an engineer to help determine the remaining lives of its water and sewer systems due to their complex nature and their high dollar amounts.

#### GASB 34 Implementation (Continued)

Additionally, the required management, discussion and analysis letter, which will be included in the fiscal year 2004 audit report and is the responsibility of the City, will include comparing current financial information to the prior year, which in this case will be the fiscal year 2003 information. As such, we further recommend that the City begin early implementation of GASB 34. This can be accomplished by converting the September 30, 2003 financial statements to the new reporting model immediately after the fiscal 2003 audit.

The implementation of GASB 34 will have a significant affect on the City's audit in both the year of implementation and the subsequent fiscal years. GASB 34 will require a completely new set of government-wide financial statements (prepared by the auditor) in addition to the current fund level financial statements, a management discussion and analysis (prepared by the City with assistance from the auditor), and the conversion of existing account balances to allow for full accrual accounting. Therefore, the additional time and fees associated with this conversion for most governmental entities are expected to increase approximately 20% to 30% for the year of implementation and between 10% and 15% for the years subsequent to implementation. The majority of the additional time in the year of implementation will be related to the development of the new financial reporting model financial statements, along with reconciliations to the current reporting model. Additional audit procedures will be necessary for the year of implementation, as well as all subsequent years. We will be happy to assist you in this GASB 34 implementation process if needed.

#### Fraud Risk Assessment

The recent publicity concerning frauds involving large companies has focused attention on what an entity can do to protect itself from loss due to fraud. Fraud occurs in entities of all sizes. In the 2002 survey of its members conducted by the Association of Certified Fraud Examiners, the median loss per fraud occurrence reported from businesses with 100 or fewer employees was \$127,500, a proportionately larger loss than the \$97,000 median loss in entities with 10,000 or more employees. For small entities, one of the primary fraud risks is the risk of misappropriation of assets (theft), particularly fraudulent cash disbursements. The opportunity to commit and conceal fraud exists where there are assets susceptible to misappropriation and inadequate controls to prevent or detect the fraud. To address this risk, we recommend that the City perform a risk assessment to identify, analyze, and manage the risk of asset misappropriation. Risk assessment, including fraud risk assessment, is one element of internal control. Thus, ideally, the City's internal control should include performance of this assessment, even though our annual financial statement audit includes consideration of fraud. The fraud risk assessment can be informal and performed by a management-level individual who has extensive knowledge of the City that might be used in the assessment. Ordinarily, the management-level individual would

Fraud Risk Assessment (Continued)

conduct interviews or lead group discussions with personnel who have extensive knowledge of the City, its environment, and its processes. The assessment process should consider the City's vulnerability to misappropriation of assets. When conducting the self-assessment, questions such as the following can be considered:

- What individuals in the City have the opportunity to misappropriate assets?
- Are there any known pressures that would motivate employees with the opportunity to misappropriate assets?
- What assets of the City are susceptible to misappropriation?
- Are there any known internal control weaknesses that would allow misappropriation of assets to occur and remain undetected?
- How could assets be stolen?

Once areas vulnerable to fraud have been identified, a review of the City's systems, procedures, and existing controls relating to the identified areas should be conducted. The City should consider what additional controls need to be implemented to reduce the risk of fraud. We would be pleased to provide more information about performing a risk assessment or assist management in performing one.

As we have previously discussed in our letter to you dated December 3, 2003, the American Institute of Certified Public Accountants (the auditing standard-setting body for the accounting profession) has issued Statement of Accounting Standards No. 99 (SAS 99) which is effective for all audits with years ending December 31, 2003 or after. This new statement will require auditors to perform substantial new audit procedures aimed at detecting material misstatements caused by fraud. Specifically, auditors will be required to identify all areas within the audited entity where fraud could occur and not be detected. These areas will require tests be performed to specifically search for fraud.

Depending upon the effectiveness of the internal control structure of the audited entity, the additional time required to perform these fraud tests could be significant. The City's performance of periodic evaluations of their internal control system will help to determine areas vulnerable to fraud and could reduce substantive testing required by the auditors.